

HOW TO COMPLETE FORM EZ-5J

TABLE OF CONTENTS

INTRODUCTION	x
DEFINITIONS.....	1
PROGRAM INCENTIVES AND GUIDELINES	
State Incentives	4
State Fiscal Limitations on Job Grants	4
Local Incentives	5
JOB GRANT QUALIFICATION REQUIREMENTS	
Employment Restrictions.....	6
Reporting to Work	6
Qualifying 1680 Hour Per Year Employees	6
GENERAL PROGRAM GUIDELINES	
Timing of Zone Eligibility Period.....	7
Limit On Receiving Zone Incentive Grant	7
Assignment of Enterprise Zone Incentive Grant.....	7
Prohibition of Duplication of Government Assistance	7
Required Records.....	7
SUBMISSION INSTRUCTIONS.....	8
HOW APPLICANTS WILL RECEIVE JOB GRANTS	8
HOW TO COMPLETE THE ATTACHMENT 5J FORM	
Getting Started	9
Completing Attachment 5J Columns	10
HOW TO COMPLETE THE EZ-5J: QUALIFICATION FORM	
PART I: BACKGROUND INFORMATION.....	15
PART II: QUALIFICATION INFORMATION	
Position Test	16
PART III: DECLARATION.....	20
APPENDIX A: LOCAL ENTERPRISE ZONE ADMINISTRATION DIRECTORY	
APPENDIX B: FOUR DIGIT BUSINESS ACTIVITY CODE NUMBERS	
APPENDIX C: ATTACHMENT 5J - JOB GRANT EMPLOYMENT DOCUMENTATION	
APPENDIX D: FORM W-9 REQUEST FOR TAXPAYER IDENTIFICATION	

INTRODUCTION

The purpose of the Enterprise Zone Act is to stimulate economic growth and neighborhood revitalization at the local level. The Virginia Enterprise Zone Program assists in business expansion and development in specially targeted areas throughout the state.

An enterprise zone is an economically distressed area of a county, city or town designated by the Governor to offer a package of state and local incentives for a period of 20 years. The incentives are designed to encourage business start-up, recruitment and expansion through state and local tax relief, local regulatory flexibility and infrastructure development.

This manual provides instructions for businesses on how to qualify for and request State **enterprise zone incentive (job) grants**. Any business located within the boundaries of an enterprise zone is eligible to participate in the program provided certain qualification requirements are met. For more information about qualifying for local enterprise zone incentives or to determine if your business is located within the boundaries of an enterprise zone you can contact the appropriate local zone office listed in Appendix A.

PARTICIPATING IN THE VIRGINIA ENTERPRISE ZONE PROGRAM --JOB GRANT --

In order to determine if a firm is eligible to receive zone incentive grants, all firms must complete **Form EZ-5J: Job Grant Qualification Form**. Instructions for completing the form are presented in this manual. Form EZ-5J can be obtained from the Virginia Department of Housing and Community Development or from the appropriate local enterprise zone office listed in the Appendix A directory.

Any business firm that qualifies for job grants **must submit** an application requesting job grants **to the appropriate Local Zone Office** no later than **March 31** of each calendar year. If this date falls on a weekend, applications are due to the Local Zone Office on the first business day following the weekend.

If you have any questions about qualifying for state incentives or other aspects of the program, please call **(804) 371-7030**.

DEFINITIONS

Base year, for purposes of qualifying for enterprise zone incentive grants, means either of the two calendar years immediately preceding a business firm's first year of grant eligibility, at the choice of the business firm.

Business firm means any business entity, incorporated or unincorporated, which is authorized to do business in the Commonwealth of Virginia and which is subject to State individual income tax, State corporate income tax, State franchise or license tax on gross receipts, or State bank franchise tax on net taxable capital.

1. The term "business firm" includes partnerships and small business corporations electing to be taxed under Subchapter S of the Federal Internal Revenue Code, and which are not subject to State income tax as partnerships or corporations, but the taxable income of which is passed through to and taxed as income of individual partners and shareholders.
2. The term "business firm" does not include organizations which are exempt from State income tax on all income except unrelated business taxable income as defined in the Federal Internal Revenue Code, Section 512; nor does it include homeowners' associations as defined in the Federal Internal Revenue Code, Section 528.

Common control means those firms as defined by Internal Revenue Code § 52(b).

Department means the Department of Housing and Community Development.

Eligible permanent full-time position means a permanent full-time position which has been created and filled by a permanent full-time employee during the grant year which is above the minimum permanent full-time employment threshold needed by the firm in order to qualify for a job grant.

Employee of a zone establishment means a person employed by a business firm who is on the payroll of the firm's establishment(s) within the zone. In the case of an employee who is on the payroll of two or more establishments of the firm, both inside and outside the zone, the term "employee of a zone establishment" refers only to such an employee assigned to the firm's zone establishment(s) for at least one-half of his normally scheduled work days.

Establishment means a single physical location where business is conducted and where services or industrial operations are performed.

1. A central administrative office is an establishment primarily engaged in management and general administrative functions performed centrally for other establishments of the same firm.
2. An auxiliary unit is an establishment primarily engaged in performing supporting services to other establishments of the same firm.

Grant year means the calendar year for which a business firm applies for an enterprise zone incentive grant pursuant to 59.1-282.1 of the Code of Virginia.

Independent certified public accountant means a public accountant certified and licensed by the Commonwealth of Virginia who is not an employee of the business firm seeking to qualify for State tax incentives or grants under this Program.

Net loss applies to firms that relocate or expand operations and means that (i) after relocating into an enterprise zone, a business firm's gross permanent full-time employment is less than before relocating into the zone; or (ii) after a business firm locates or expands within a zone, its gross permanent full-time employment at its non-zone location(s) is less than before the zone location occurred.

Number of eligible permanent full-time positions means the amount by which the number of permanent full-time positions at a business firm in a grant year exceeds the threshold number.

Permanent full-time position means a job of indefinite duration at a business firm located in an enterprise zone, requiring the employee to report for work within the enterprise zone, and requiring either (i) a minimum of thirty-five hours of an employee's time a week for the entire normal year of the business firm's operations, which a normal year must consist of at least forty-eight weeks, or (ii) a minimum of thirty-five hours of an employee's time a week for a portion of the taxable year in which the employee was initially hired for, or transferred to the business firm, or (iii) a minimum of 1,680 hours per year and the standard fringe benefits are paid by the business firm for the employee. Seasonal, temporary, leased or contract labor positions, or a position created when a job function is shifted from an existing location in this Commonwealth to a business firm located within an enterprise zone shall not qualify as permanent full-time positions.

Re-determined base year means the base year for calculation of the number of eligible permanent full-time positions in a second or a subsequent three-year grant period. If a second or a subsequent three-year grant period is requested within two years after the previous three-year grant period, the re-determined base year will be determined by the number of positions in the preceding base year, plus the number of threshold positions, plus the number of permanent full-time positions receiving grants in the final year of the previous grant period. If a business firm applies for subsequent three-year periods beyond the two years immediately following the completion of a three-year grant period, the firm shall use one of the two preceding calendar years as the base year, at the choice of the business firm.

Related party means those as defined by Internal Revenue Code § 267(b).

Reporting to Work means that for the majority of a permanent full-time position's scheduled work week, the employee filling that position works at a single physical location within an enterprise zone.

Threshold number means 110 percent of the number of permanent full-time positions in the base year for the first three-year period in which a business firm is eligible for an enterprise zone incentive grant. For a second and any subsequent three-year period of eligibility, the threshold means 120 percent of the number of permanent full-time positions in the applicable base year as re-

determined for the subsequent three-year period. If such number would include a fraction, the threshold number shall be the next highest integer. Where there are no permanent full-time positions in the base year, the threshold will be zero.

Transferred employee means an employee of a firm in the Commonwealth that is relocated to an enterprise zone facility owned or operated by that firm.

Zone means an Enterprise Zone declared by the Governor to be eligible for the benefits of this Program.

Zone resident means a person whose principal place of residency is within the boundaries of any enterprise zone or zones. Persons who meet the definition of both low-income and a zone resident may not be counted as both for purposes of meeting employment requirements for the general tax credit. Instead, qualifying businesses must claim these persons as either low-income or zone resident. Zone residency must be verified annually.

VIRGINIA ENTERPRISE ZONE PROGRAM STATE INCENTIVES AND GUIDELINES

Virginia's Enterprise Zone Act offers three types of tax incentives and job grants to qualified businesses. Each incentive is independent of one another and has different qualifications. Applicants interested in applying for the general tax credit, real property improvement tax credit, the investment tax credit, or job grants will need to obtain the appropriate application forms and instruction manuals from DHCD or a local zone administration office in order to apply. Below is a brief explanation of each incentive.

- (1) Ten-year *general income tax credit* against a business's state tax liability in an amount up to 80% in year one and 60% in years two through ten. For businesses investing at least \$15 million and creating 50 jobs the amount of credit is subject to negotiation between the business and DHCD. Businesses qualifying **after** July 1, 1997 must have 25% of new jobs filled by low-income individuals or zone residents. Businesses qualified **prior to** July 1, 1997 must continue to have 40% of their new jobs filled by low-income individuals or zone residents.
- (2) *Real property improvement tax credit* equal to an amount of up to 30% of qualified zone improvements with a maximum amount not to exceed \$125,000 within a five-year period. Rehabilitation and expansion projects must cost at least \$50,000 or be equal to the assessed value of the real property prior to the improvements being made, whichever is greater. Qualified improvements in new construction projects must cost at least \$250,000. The credit is refundable to the extent that if the business state tax liability is less than the credit allocated, the remaining balance would be refunded.
- (3) *Investment tax credit* against a business's state tax liability for businesses investing at least \$100 million and creating 200 jobs. The percentage amount is negotiable and could be worth up to 5% of the investment. Business firms qualifying for the investment tax credit have the option of taking this incentive *in lieu* of the real property improvement tax credit.
- (4) *Job grants* for new permanent full-time positions created by business start-ups and expansions by existing firms in amounts equal to \$1,000 per zone resident and \$500 for positions filled by a non zone resident. The maximum grant to any one firm per year is \$100,000 for three consecutive calendar years commencing with the first year. Businesses may qualify for more than one three-year job grant period provided the business firm creates additional permanent full-time positions.

STATE FISCAL LIMITATIONS ON JOB GRANTS

A special fund, known as the Enterprise Zone Grant Fund, was established in the state treasury and is administered by DHCD. The funds used for job grants are subject to appropriation by the General Assembly. If for any reason the Enterprise Zone Grant Fund monies are less than the total amount of grant requests from applicants, the funds will be prorated based on the applicant requests and the amount of money available for allocation. In the event that a business firm is allocated less than the

but the unpaid portion of the grant will be carried forward to the next year. Applicants who did not receive their full grant amount in the prior year will have priority over other first-time applicants. DHCD will allocate Enterprise Zone Grant Funds in the following order of priority:

- (1) To unpaid grant amounts carried forward from prior year(s) because business firms did not receive the full amount of the grant which they were eligible for in a prior year.
- (2) To all other eligible applicants.

LOCAL INCENTIVES

Local governments provide a variety of local incentives to further encourage economic growth and investment in their enterprise zones. Local incentives are determined by the local government. For more information on the local incentives available, contact the appropriate local zone administrator listed in Appendix A.

JOB GRANT QUALIFICATION REQUIREMENTS

Business firms are eligible to receive job grants for three consecutive calendar years beginning with the first year of grant eligibility. In order to qualify for a job grant, business firms must meet the following requirements:

Business firms applying for the first three-year grant period must demonstrate that they have increased their enterprise zone permanent full-time positions by 10% over a base calendar year. The base year is either of the two calendar years immediately preceding a business firm's first year of grant eligibility and is the choice of the business firm.

Business firms will only receive a job grant for the new permanent full-time position(s) created above the 10% threshold. The amount of the grant for which a business firm is eligible with respect to any employee who is employed in an eligible position for less than 12 full months during the grant year will be pro rated based on the number of full months the employee has worked. Any additional eligible permanent full-time positions created during the second or third year of the grant period are eligible for additional grant funding over the previous year level at the option of the business firm for the balance of the three-year grant period.

A business firm may be eligible for additional three-year grant periods provided the firm demonstrates that it has increased its enterprise zone permanent full-time employment by 20% over a re-determined base year. Firms can only receive a job grant for the new permanent full-time positions created above the 20% threshold number. If a second or a subsequent three-year grant period is requested within two years after the previous three-year period, the re-determined base year will be the last grant year. If a business firm applies for subsequent three-year periods beyond the two years immediately following the completion of a three-year grant period, the firm shall use one of the two preceding calendar years as the re-determined base year, at the choice of the business firm.

EMPLOYMENT RESTRICTIONS

The following positions cannot be included in the calculation of permanent full-time employment:

1. Seasonal, temporary, leased or contract-labor positions.
2. A person that was previously employed in the same job function in Virginia by a related party, or a trade or business under common control. (A person's job function eliminated at a non-zone location and moved to an enterprise zone location).
3. An employee of a firm in the Commonwealth who is transferred from outside a zone location to a zone location.
4. An employee whose previous job function previously qualified for a grant in connection with a different enterprise zone location on behalf of the taxpayer, a related party, or a trade or business under common control (cannot claim the same job twice).
5. An employee who was employed by an enterprise zone firm in the Commonwealth and the trade or business was purchased by another taxpayer who continued its operation.
6. Persons whose position previously qualified for Major Business Facility Job Tax Credit.
7. Part-time positions may not be combined for purposes of calculations.

Qualifying 1680 Hour Per Year Employees

Business firms that have employees employed in position's which require them to work a minimum of 1,680 hours during the calendar year can include these employees in the calculation of permanent full-time positions. However, the employee must have been hired during the calendar year, worked a minimum of 1680 hours during the calendar year and received the standard fringe benefits paid by the business firm, in order to be considered a permanent full-time employee. Any employee that fulfills this requirement can be included in the calculation of the equivalent number of permanent full-time positions the firm had during the calendar year the employee worked for the firm.

- (1) For 1,680-hour employees who worked the minimum of 1,680 hours and who were employed for the full 12 months of the calendar year, add the number of 12 month, 1,680-hour employees to the equivalent number of other permanent full-time employees
- (2) For 1,680-hour employees who worked the minimum of 1,680 hours and who were employed for less than the full 12 months of the calendar year, the firm must determine the equivalent number of full months worked.
- (3) For 1,680-hour employees who do not work the minimum of 1680 hours during the calendar year, the firm must determine whether the employee worked a minimum of thirty-five hours a week for the portion of the calendar year in which the employee was employed in the permanent full-time position. If so, the employee will be eligible to be included in the equivalent position calculation. If not, the employee will not be eligible to be included in the equivalent position calculation.

GENERAL PROGRAM GUIDELINES

Timing of Zone Eligibility Period: Each enterprise zone is in effect for a period of 20 years from the date of its designation. A business firm may choose to participate in the program at any time during the existence of a zone.

Limit On Receiving Job Grants Incentives: Beginning on July 1, 1995, business firms are eligible to receive enterprise zone incentive grants for creating new permanent full-time positions. For any eligible business firm, the amount of any grant earned is equal to (i) \$1,000 multiplied by the number of eligible permanent full-time positions filled by zone residents, and (ii) \$500 multiplied by the number of eligible permanent full-time positions filled by employees whose permanent place of residence is outside the enterprise zone. The maximum grant that may be earned by a business firm in one grant year is limited to \$100,000. Each member of an affiliated group of corporations is eligible to receive up to a maximum grant of \$100,000 in a single grant year.

The amount of the grant for which a business firm is eligible with respect to any employee who is employed in an eligible position for *less than 12 full months* during the grant year will be based on the number of **full months** that the employee worked for the business firm during the grant year.

Assignment of the Enterprise Zone Incentive Grant: A business firm may assign all or any portion of job grants for which they are eligible to the following:

- (1) The owner of real property within an enterprise zone which is occupied by the eligible business firm as a tenant; or
- (2) A financial institution regularly engaged in the business of lending money and which has made a loan to the zone business firm for the purpose of expanding, constructing or rehabilitating a nonresidential building or facility for the conduct of a trade or business by the business firm within the enterprise zone or both, as they may agree.

If a business firm has assigned its interest in an enterprise zone incentive grant, the firm **must notify** the Department **within 30 days** of the transaction. Following the receipt of such notification, the Department may request the Comptroller to issue warrants in the name of the firm's assignee for grant payments that the business firm would have received.

Prohibition of Duplication of Government Assistance: A business firm may not use the same employees to qualify for tax incentives under this program and qualify for tax incentives under the Major Business Facility tax credit.

Required Records: Business firms considering participation in job grant incentives under the Virginia Enterprise Zone Program must keep careful records of their employment calculations, the number of new employees and an employee's zone residency status. These records must be kept for a period of six years for audit purposes.

SUBMISSION INSTRUCTIONS

Submission deadline for filing Form EZ-5J

In order to claim a job grant an application must be completed and **submitted to the Local Zone Administration office** in the locality where the business is located **no later than March 31**. If this due date falls on a weekend, applications are due on the first business day following the weekend. Applications for grants must be made on Form EZ-5J as prescribed by DHCD and may include other documentation as requested by DHCD or by the Local Zone Administrator. The form **must** be completed and signed by an independent **certified public accountant** licensed by the Commonwealth.

Note: All applicants must also complete the W-9 form in Appendix D in order to receive a grant. Please make sure the mailing address indicated on the 5J application is the same as indicated on the W-9 form. If a portion or the entire grant has been assigned to an eligible recipient, applicants must have followed the instructions on page 6 of this manual in order for recipients to receive the grant award.

- (1) Local Zone Administrators must be either hand deliver or sent by certified mail, return receipt requested, to DHCD **no later then April 30**. All applications will be reviewed and business firms will be notified of any errors no later than June 1. Business firms must respond to any unresolved issues by no later than June 15.
- (2) DHCD will notify all businesses by June 30th regarding the amount of applicable zone incentive grants they are eligible to receive for the calendar year the request was made.

Late Application Submittal

Business firms cannot request job grants for previous calendar years. Job grants can only be requested for the current calendar year. Local Zone Administrators cannot accept applications that are post-marked or hand delivered by the business firm after March 31. DHCD cannot accept applications post-marked or hand delivered by the Local Zone Administrator after April 30. Applications submitted late will be returned and the applicant must forfeit any and all job grants for that year.

HOW APPLICANTS WILL RECEIVE JOB GRANTS

After verification that a business has met job grant requirements, it will receive a Certificate of Qualification notifying them of the amount to be received. After the firm has received a Certificate of Qualification, a check for the grant amount will be sent from the Virginia Treasury Department within four weeks. The firm should keep the Certificate of Qualification for its records.

PART II
HOW TO COMPLETE THE ATTACHMENT 5J FORM

HOW TO COMPLETE THE ATTACHMENT 5J FORM

Attachment 5J is the first and **most important form to be completed** by the job grant applicant. It is used to calculate the number of equivalent permanent full-time positions a firm had during the job grant applicant's base year, post base year, and qualifying grant year. A copy of the Attachment 5J form is located in **Appendix C**. The Attachment 5J **must be** completed and **signed** by an independent certified public accountant licensed by the Commonwealth of Virginia who is also responsible for completing the EZ-5J application. The CPA's signature serves as *prima facie* evidence that a business firm is qualified to receive enterprise zone incentives. The CPA cannot be an employee of the business firm seeking to qualify for state tax incentives under this Program.

The Attachment 5J form in Appendix C **may be reproduced** by other means so long as the firm provides, in the same format, the following employee information: name, address (street, city or town and the zip code), social security number, beginning and ending date of employment (indicating the month, day, and year hired), the total number of full months worked in that year, calculation of permanent full-time position equivalent, and whether the employee is or is not a zone resident. All the information provided must be legible and preferably be typed.

Getting Started

All the information that will be needed to complete the job grant application, Form 5J, can be found on Attachment 5J after it has been completed.

A separate Attachment 5J must be completed for the Base Year, Post Base Year (if applicable), and the Grant Year. At the top of the Attachment 5J applicants must indicate whether the employees listed on the Attachment 5J *were employed during the Base Year, Post Base Year, or Grant Year*

ATTACHMENT 5J YEAR PERMANENT FULL-TIME POSITION EQUIVALENTS

(Base, Post Base, Grant)

The **base year** is either of the two calendar years immediately preceding a business firm's first year of grant eligibility, at the choice of the business firm; the base year remains the same for the first three-year period. If a firm is applying for a second or subsequent three-year period a **re-determined base year** is used. If a business firm applies for a second three-year grant period, within two years after the previous grant period, the re-determined base year will be recalculated as follows: The calculation for this re-determined base year will be determined by adding the number of positions in the preceding base year, plus the number of threshold positions, plus the number of permanent full-time positions receiving grants in the final year of the previous grant period. If a business firm applies for subsequent three-year periods beyond the two years immediately following the completion of a three-year grant period, the firm shall use one of the two preceding calendar years as the re-determined base year, at the choice of the business firm.

Grant year is the calendar year for which a business firm applies for enterprise zone job grants.

The **post base** year is the calendar year following the base year **if** the first of two preceding calendar years is chosen as the base year. This means that if a firm wants to claim a grant for 1996 and uses 1994 as a base year, DHCD will require employment information for calendar year 1995. **The post base year information is needed as part of the grant calculation if a firm at any time claims a grant for a zone resident.**

Completing Columns 1 through 4

Columns 1 through 4 provides general information about each of the permanent full-time employees employed during the firm's base year, post base year (if applicable), and grant year.

Column 1: Number each employee listed on Attachment 5J.

Column 2: List all the permanent full-time employees that worked for the firm during the base year, post base year, or grant year in alphabetical order. This would be every employee that worked for the firm in a permanent full-time capacity to perform some type of job function regardless of how long they were employed. This could be one day, one week, one month, or one year: **all permanent full-time employees must be included on the list.**

Column 3: List the employee's address. In order to determine if the employee is a **zone resident**, put the employee's **physical** zone address in this column, **not** a post office box address.

Column 4: List the employee's social security number.

Completing Columns 5 through 7

Column 5: Enter the month, day, and year the employee began employment.

Note: Always list the first day of the applicable year (base, post base, or grant) the employee worked or was hired. For example, if an employee was hired in a year prior to the firm's base year, the beginning employment date of the employee, for purposes of the base year calculation, will be **January 1**. If a permanent full-time employee was hired sometime during the base year and is still employed by the firm during the grant year the beginning employment date for that employee, for purposes of the grant year calculation, will be **January 1**.

Column 6: Enter the month, day, and year the employee ended employment. If the employee has not terminated his/her position with the business firm by the end of the calendar year place a "C" in column 6.

Column 7: Enter the number of **full** months that each individual permanent full-time employee worked for the firm. A full month is defined as a 30-day period. (**Note:** if an employee is hired on February 1 to fill a permanent full-time position and is employed through February 28 or 29 this will be considered a full month). If an

individual worked **less than 30 days** in a permanent full-time position, enter “0” in this column. If an employee is **filling a 1680-hour position** place the number of full months and “1680 hr.” in the column to indicate the person is filling a 1680-hour position.

Completing Columns 8 through 10

Column 8: Enter 12 since the total number of full months in a calendar year is 12.

Column 9: For each employee listed, **divide** column 7 by column 8 (the number of full months that each permanent full-time employee worked during the base year, post base year, and grant divided by the number of full months in a calendar year). Place the result in column 9. Using the example, if an employee worked seven full months during the calendar year the following formula would apply: $(7 \div 12 = .58)$, enter this number in column 9.

Note: To determine the total number of equivalent permanent full-time positions the firm had during the calendar year, total column 9.

Column 10: If an employee is **not** a zone resident, leave the space **blank**. If an employee **is** a **zone resident**, place a “Z” in column 10. Total column 10 to determine the total number of employees who were zone residents.

Required Statement and Signature

If the 5J attachment includes more than one page, each page must be initialed by the certified public accountant. The final page of the Attachment 5J must be **signed by the certified public accountant using the following statement** (see back of Attachment 5J in **Appendix C**).

I (Printed Name of the CPA) do hereby affirm that I am a certified public accountant licensed in the Commonwealth of Virginia and not an employee of the firm. I certify that the employees listed on the 5J Attachment(s) were permanent full-time employees of (Name of Applicant Firm) for the time period specified on this form. I further affirm that the firm has met the requirements for receiving an enterprise zone incentive grant as set forth in the in the Enterprise Zone Program Regulations.

Certified Public Accountant _____

Signature

Name of Firm

Address of Firm

Phone Number

EXPLANATION OF THE ATTACHMENT 5J EXAMPLE

When referring to the example at the beginning of Part II, Firm X had **3.75 full-time** equivalent positions in the 1996 grant year. Two of the seven employees hired for permanent full-time positions during the same time period were zone residents, one of which was an 1,680-hour employee who worked a minimum of 1,680 hours for a full 12 months of the calendar year. For purposes of this example, Firm X had no permanent full time employees in the firm's 1995 base year.

Determining the number of grant eligible zone resident positions

Firm X contacted the appropriate local zone administration office listed in Appendix A to verify if any of the employee's addresses fell within the boundaries of an enterprise zone. Of the total number of employees listed on Attachment 5J, the Local Zone Administrator confirmed that two employees were zone residents.

To determine the number of eligible zone resident positions that can be claimed, the firm must multiply the number of equivalent permanent full-time positions by a fraction. The numerator of this fraction is the net number of zone resident employees from **January 1 of the base year through December 31 of the grant year (column 10)**. Net number of zone resident employees means that zone residents cannot be double counted if they worked in the base year, post base year or grant year. The denominator is the net number of permanent full-time employees employed for the same period of the base year through the grant year (column 1).

In this example, based on the information provided on the Attachment 5J, Firm X would calculate the number of eligible zone resident positions as follows:

Take the number of eligible permanent, full-time positions (3.75) and *multiply* it by a fraction. The numerator is the net number of zone residents employed from January 1 of the base year through December 31 of the grant year. In this example it is two, since there were no zone residents in the firm's 1995 base year. The denominator is the net number of permanent full-time employees employed in permanent full-time positions during the same time period, which is seven (none in the base year and seven in the grant year).

$$[3.75 \times 2/7 = 1.07 \text{ zone residents}]$$

Note: Do not forget to add the total number of zone employees employed by the firm in permanent full time positions from January 1 of the base year through December 31 of the grant year. This means that the firm could potentially be tracking the total number of employees who are zone residents over a five year period (the base year, the post base year, and if applicable, up to 3 grant years). DO NOT double count zone resident employees. A position filled by a zone resident in the base year and that is still held by that resident through the grant year, is calculated only as one zone resident.

Determine the grant-eligible, non-zone resident positions

Subtract the number of eligible zone resident positions (1.07) from the number of eligible permanent full-time positions (3.75). This will equal the total non-zone resident positions.

$$[3.75 - 1.07 = 2.68 \text{ non-zone positions}]$$

Calculating the amount of the job grant award

The amount of any grant earned is equal to \$1,000 multiplied by the number of eligible permanent full-time positions filled by zone residents, and \$500 multiplied by the number of eligible permanent full-time positions filled by employees who are non-zone residents. In this example the total grant amount awarded to the firm in the first grant year is as follows:

2.68 (non-zone resident positions)x \$500 =	\$1,340
<u>1.07 (zone resident positions) x \$1,000 =</u>	<u>\$1,070</u>
Total	\$2,250

PART III

HOW TO COMPLETE EZ-5J: JOB GRANT QUALIFICATION FORM

HOW TO COMPLETE THE EZ-5J JOB GRANT APPLICATION FORM

The EZ-5J is the form used by businesses to request a grant and for DHCD to determine if the firm has met the Program qualification requirements to receive a grant for new job creation. Form EZ-5J **must be completed and signed** by an independent certified public accountant licensed by the Commonwealth of Virginia. The CPA's signature serves as *prima facie* evidence that a business firm is qualified to receive enterprise zone incentives. The CPA cannot be an employee of the business firm seeking to qualify for state tax incentives under this Program. The following are step-by-step instructions for completing Form EZ-5J.

PART I: BACKGROUND INFORMATION

- Item 1. On the first line enter the name of the locality and zone where the business firm is located. For example: Richmond (South) or Newport News (Mid Cities). Please contact the Local Zone Administrator if you are unsure of the zone name.
- On the second line enter the **year** the enterprise zone was designated. On the third line enter the **month, day and year** the business began operation at the zone location.
- Item 2. On the first line enter the Federal employer identification number (FEIN) that is used on your Federal income tax return.
- On the second line enter the Virginia Employment Commission (VEC) identification number that you use when paying the Virginia unemployment tax on employees as required by Article 2, Chapter 5, Title 60.2, Code of Virginia.
- Item 3. Enter the legal name and "trading" name of the business firm. If the trading name is the same as the legal name, indicate "same."
- Item 4. On the first line enter the business firm's enterprise zone street address.
- On the second line enter the business activity code number which identifies the primary business activity the business is involved in. The 4-digit code number and specific groups of business activity are listed in Appendix B.
- Item 5. Enter the firm's principal mailing address. The zone incentive grant will be mailed to this address. This address must correspond to the address used on Form W-9 found in Appendix D.
- Item 6. Enter the name of the contact person for the business firm and a daytime telephone number where the contact person can be reached to answer any questions.
- Item 7. Check the appropriate line to indicate what type of business organization is applying for zone incentive grants.
If the "other" line is checked, indicate what type of business organization is applying.

- Item 8. Check the appropriate line to indicate what type of job creation activity has occurred at the enterprise zone business.

PART II: QUALIFICATION INFORMATION

- Item 1. Enter the calendar year in which the firm is requesting the job grant. This is the “grant year”.

- Item 2. Enter the base or re-determined base calendar year used by the business firm. When calculating the *base year* remember it is either of the two calendar years immediately preceding a business firm's **first** year of grant eligibility, at the choice of the business firm.

The *re-determined base year* is used to determine eligibility in a **second or subsequent** three-year grant period. If a second or subsequent three year grant period is requested within two years after the previous three-year period, the re-determined base year will be determined by the number of positions in the preceding base year, plus the number of threshold positions, plus the number of permanent full-time positions receiving grants in the final year of the previous grant period.

For example, if the firm had 10 permanent full-time positions in the base year of the firm's first three-year grant period, then the threshold would be $10 \times .10 = 1$. The firm also claimed grants on 5 permanent full-time positions in the final grant year. The firm's re-determined base year would be $[10 + 1 + 5 = 16]$ therefore, the firm's new re-determined base year permanent full-time positions are 16.

If a business firm applies for subsequent three-year periods beyond the two years immediately following the completion of a three-year grant period, the firm will use one of the two preceding calendar years as the re-determined base year, just as if the firm was initially qualifying.

Item 3. Position Test

In order to determine if a firm is eligible to receive job grants, the number of equivalent permanent full-time positions the firm had in the zone during the firm's base year, post base year (if applicable), and grant year must be calculated. This can only be accomplished by completing the EZ-5J Attachments.

- a. **Enter the actual number of equivalent permanent full-time positions in the zone during the base calendar year:** *The calculation of permanent full-time positions is based on the **actual** number of new equivalent permanent full-time positions created by the firm, within the zone, during either of the two previous calendar years, at the choice of the business firm.*
A firm must determine the actual number of equivalent permanent full-time positions it had and the number of full months worked by each permanent full-time employee.

For example, Firm X has been manufacturing a product in the City of Richmond's North Enterprise Zone since 1993. Firm X decided to participate in the program in 1996. Firm X can choose either calendar year 1994 or calendar year 1995 as its base year. Firm X calculated on the Attachment 5J that the number of equivalent permanent full-time positions for 1994 was 45, and in 1995 the firm had 50 equivalent permanent full-time positions.

From column 9 of the Attachment 5J completed for the base year, **enter** the total number of equivalent permanent full-time positions calculated for the base year chosen by the firm. For this example, Firm X chose 1994 as its base year with 45 equivalent permanent full-time positions because it was the lower of the two preceding calendar years. Enter 45 on Line (a).

PART II: QUALIFICATION INFORMATION (3. Position Test)

(a)	Actual number of equivalent permanent full-time positions the firm had in the base calendar year.	45
-----	---	----

b. Enter the actual number of equivalent permanent full-time positions in the zone during the qualifying grant year: *Calculate the actual number of equivalent permanent full-time positions the firm had during the grant year.*

Firm X expanded production in 1996, Column 9 on the Attachment 5J for the firm's grant year, indicated that there was a total of 60 equivalent permanent full-time positions. Enter 60 on Line (b).

PART II: QUALIFICATION INFORMATION (3. Position Test)

(b)	Actual number of equivalent permanent full-time positions the firm had in the qualifying grant year.	60
-----	--	----

c. Determine the actual number of equivalent permanent full-time positions created above the base year:

Subtract Line (a) from Line (b) and enter the result on Line (c) [60-45 = 15]. **Note:** If Line (a) is **zero**, enter the number from Line (b) on Line (c).

PART II: QUALIFICATION INFORMATION (3. Position Test)

(c)	Actual increase in the number of permanent full-time positions created over the base year. Subtract Line (a) from Line (b).	15
-----	---	----

d. Determine the percentage increase in the number of equivalent permanent full-time positions created over the base year:

To find the percent increase in the number of equivalent permanent full-time positions created over the base year divide Line (c) by Line (a) and multiply this number by 100 and enter the product on Line (d). In this example: [15÷45 = .3333 x 100 = 33.33] rounded to the nearest whole number it is 33%. **Note:** If Line (a) is zero, place 100% on Line (d).

PART II: QUALIFICATION INFORMATION (3. Position Test)

- (d) Percent increase in the number of permanent full-time positions created over the base year. Divide Line (c) by Line (a).

33%

e. Determine the minimum threshold level of positions needed by the firm in order to qualify for job grants.

Firm X must determine the “threshold number” or the minimum number of equivalent permanent full-time positions needed to qualify for the job grant incentive. Only the equivalent permanent full-time positions created above the threshold number will be eligible for job grants.

Each firm that wants to receive job grants must demonstrate that it has increased its equivalent permanent full-time positions by 10% over the firm’s base calendar year for the first three-year grant period. For a second and any subsequent three-year grant period of eligibility, the threshold is equal to a 20% increase in the number of equivalent permanent full-time positions. **Where there are no permanent full-time positions in the base year, the threshold number is zero.**

For our example, Firm X is qualifying for the job grant incentive for the first time and must multiply the firm’s 1994 base year by 10% to determine the minimum threshold position level. Firm X multiplies Line (a) by 10% [$45 \times .10 = 4.5$] Enter 4.5 on Line (e).

PART II: QUALIFICATION INFORMATION (3. Position Test)

- (e) Minimum number of equivalent permanent full-time positions needed to meet the threshold requirement. Multiply Line (a) by 10 or 20 percent.

4.5

f. Determine the actual number of equivalent full-time positions created above the minimum threshold level that are eligible for job grants.

Subtract Line (e) from Line (c) to determine the actual number of equivalent permanent full-time positions above the threshold [$15 - 4.5 = 10.5$]. Enter this number on Line (f).

PART II: QUALIFICATION INFORMATION (3. Position Test)

- (f) Actual number of equivalent permanent full-time positions created above the minimum required threshold. Subtract Line (e) from Line (c).

10.5

g. Determine the eligible number of permanent full-time positions filled by zone residents that qualify for job grants.

Firm X contacted the appropriate Local Zone Administration office listed in Appendix A to determine whether any employee addresses fell within the boundaries of the firm’s enterprise zone. Of the total number of employees listed on the 5J Attachments, the Local Zone Administrator confirmed that 5 were zone residents.

To determine the number of eligible permanent full-time positions filled by **zone residents**, the firm multiplies the number of eligible permanent full-time positions, Line (f), by a fraction; the **numerator** is the net number of zone resident employees employed in permanent full-time positions from January 1 of the applicable base year through December 31 of the grant year (not the full-time equivalents). DO NOT double count a zone employee. Net number of zone resident employees

means that zone residents cannot be double counted if they worked in the base year, post base year or grant year. If an employee identified as a zone employee continues to work for the firm beyond the base year, post base or grant year, only count the zone employee once. This information is found in columns 2 and 10 of the Attachment 5J for the base year, post base year (if applicable), and grant year(s). [For example, if there were 5 permanent full time zone employees employed in the base year, 8 in the post base year (five were employed in the base year), and 15 employed in the first grant year (eight were employed in the base and post base years) the numerator would be $[5 + \{8 - 5\} + \{15 - 8\}] = 15$].

The **denominator** is the net number of employees hired in permanent full-time positions during the same time period (not the full-time equivalents) and is derived by adding the difference of any additional permanent full-time employees employed from the base year through the grant year. This information is found in Column 1. [For example, if there were 65 permanent full time employees employed in the base year, 90 in the post base year, and 110 employed in the first grant year the denominator would be $[65 + \{90 - 65\} + \{110 - 90\}] = 110$].

For our example, the Local Zone Administrator determined that 15 employees resided in the enterprise zone. In this example the following formula applies:

The number of eligible permanent full-time positions (10.5) *multiplied* by the net number of zone residents hired in permanent full-time positions from January 1 of the base year through December 31 of the grant year (15), over the net number of permanent full-time employees hired for permanent full-time positions during the same time period (110). $[10.5 \times (15/110 \text{ or } 3/22) = 1.43]$. Enter 1.43 on Line (g).

PART II: QUALIFICATION INFORMATION (3. Position Test)

(g) Eligible number of equivalent permanent full-time positions
filled by zone residents.

1.43

Note: Zone residency is subject to annual verification. An employee must be a zone resident at the end of the grant year when the verification is made. If an employee moves outside the zone subsequent to the verification, the employee cannot be considered a zone resident for the remaining years of the grant period.

h. Determine the number of eligible equivalent permanent full-time positions filled by non-zone residents that qualify for job grants.

This is determined for any grant year by subtracting the number of eligible positions filled by zone residence, Line (g), from the number of eligible positions, Line (f), $[10.5 - 1.43 = 8.57]$. Enter this number on Line (h).

PART II: QUALIFICATION INFORMATION (3. Position Test)

(h) Eligible number of equivalent permanent full-time positions
filled by non-zone residents.

8.57

In this example the total awarded to the firm in the first grant year is as follows:

8.57 (non-zone resident positions) x \$500 =	\$4,285
<u>1.43 (zone resident position) x \$1,000 =</u>	<u>\$1,430</u>
Total	\$5,715

PART III: DECLARATION

Item 1. Requests the name and signature by an official representative of the business firm authorized to sign on behalf of the firm.

Item 2. Requests an independent certified public accountant (CPA) licensed by the Commonwealth of Virginia to complete and sign the form. The CPA cannot be an employee of the business firm seeking to qualify for State incentives under this Program.

NOTE: Each applicant **must complete the W-9 form** located in **Appendix D**. The address listed on the W-9 form must be the same mailing address as listed on the application unless the applicant has assigned its incentive grant. In this case the applicant must have followed the instructions on page 9 of this manual. **Grant payments cannot be processed without the W-9 form.** Do not forget to obtain the proper signatures on the W-9, EZ-5J and the accompanying 5J attachment(s).

Applications must be completed and **submitted to the Local Zone Administrator no later than March 31.** If the due date falls on a weekend, applications are due on the first business day following the weekend. Applications can either be **hand delivered by the date specified or sent by certified mail with a return receipt requested and post marked no later than the date specified.** UPS or FedEx is considered hand delivery and must be delivered by the date specified. Applications are due at DHCD no later than April 30.

CHECK LIST

The following attachments must accompany the EZ-5J application form:

1. Attachment 5J for the base year, post base year and grant year.
2. A completed W-9 form. A blank W-9 is located in Appendix D. The address listed on the W-9 form must be the same mailing address as listed on the application unless the applicant has assigned the incentive grant.

Make sure that the application Form EZ-5J includes signatures of a business representative and the CPA who prepared the application and that the CPA has signed the 5J Attachments.

APPENDIX A

APPENDIX B

APPENDIX C

APPENDIX D